

ANNUAL REPORT TO THE COMMUNITY CITY OF AMERICAN FORK, UTAH FISCAL YEAR ENDED JUNE 30, 2017



2017

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2017

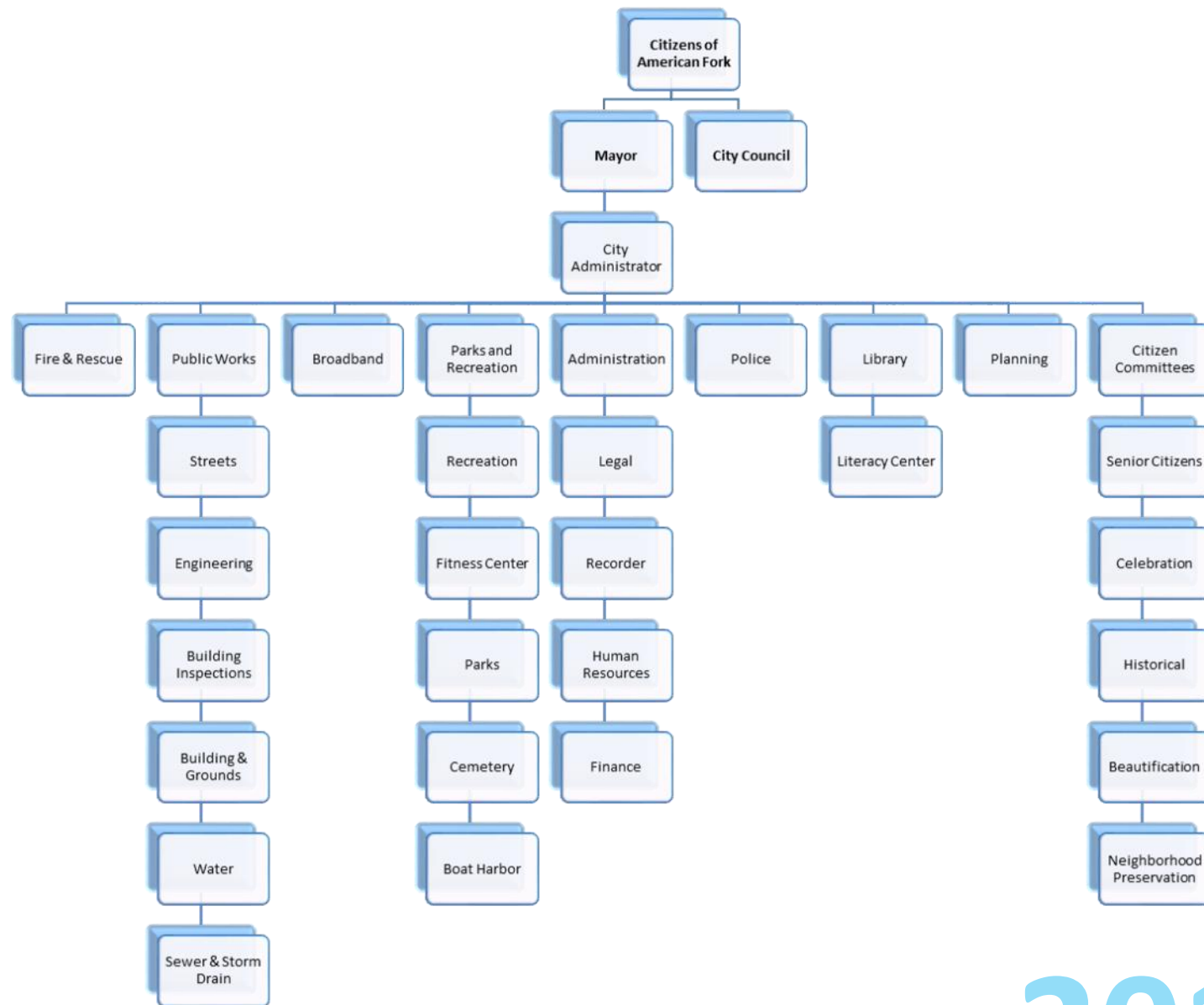
PURPOSE OF THIS REPORT

This report, also known as a Popular Annual Financial Report (PAFR), is an unaudited summary report of the financial activities of the City and is prepared primarily from detailed information contained in the City's 2017 Comprehensive Annual Financial Report (CAFR), with selected information from CAFRs prepared for earlier years. Information is also derived from the City's fiscal year 2017 budget.

The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and includes audited financial statements. As such, it provides much more detail as well as full disclosure of material events, both financial and non-financial. The GAAP presentation also includes the City's component units (related organizations) and fiduciary funds, along with information on individual funds.

Information in the CAFR by its nature can be technical and complex, and as such not useful to citizens wishing to gain an overview of the City's finances. This PAFR has been prepared to simplify the information in the CAFR and better inform the public about the overall financial picture of the City without the heavy use of technical accounting terms or excessive detail. The PAFR is not intended to provide a complete financial picture of the City in accordance with GAAP.

Questions or feedback concerning any of the information provided in this report should be directed to the City's Finance Director at (801) 854-5613 or kmaurer@afcity.net.



2017

CITY ORGANIZATION



CITY OF AMERICAN FORK COUNCIL AND MAYOR

(FROM LEFT TO RIGHT):

Mayor J.H. Hadfield, Councilman Kevin Barnes, Councilman Carlton Bowen, Councilman Brad Frost, Councilman Rob Shelton, Councilman Jeff Shorter

ELECTED OFFICIALS

2017

Dollars In—General Government Revenue

Funding in the City of American Fork and the services provided to residents comes from many sources. In 2017, the City's general government revenues totaled \$32,343,428. The majority, or 52 percent, of total general government revenue comes from sales and use tax and property tax, which is 80 percent of tax revenue. The City also receives revenue from charges for services (charges to the public for services the City provides), grants, intergovernmental revenue, interest, and various other revenue streams. The City's growth (particularly in sales tax revenue) has allowed the City to not raise property taxes since tax year 2006 (property tax revenue does not have built-in inflationary increases). In total, 2017 revenue increased by over \$926,000 when compared to 2016 (3 percent increase), reflecting moderate growth within the economy. This additional funding was used to provide services to an increased population and capital projects (such as roads).

The following provides a brief description of the City's major general government revenue sources:

Sales and Use Tax—Of the 6.85 percent collected in Salt Lake County, one percent is allocated for distribution to local governments. More detail can be found on page 9—"Sales Tax."

Property Tax—Property tax is levied on the assessed value of all real property and certain personal property located within the City. More detail can be found on page 8—"Property Tax."

Licenses and Permits—Includes building permits, business licenses, and other miscellaneous licenses and permits the City issues.

Intergovernmental Revenues—The majority represents Class C Road Funds received by the state of Utah. In addition, the City receives a liquor allotment from the state. Other federal, state, and county grants make up the difference.

Charges for Services—Represents charges to the public for services the City provides. Examples include ambulance fees, engineering fees, plan check fees, zoning & subdivision fees, and cemetery fees.

Impact Fees—A one-time charge to new developments to offset the impact on local infrastructure and public facilities caused by growth.

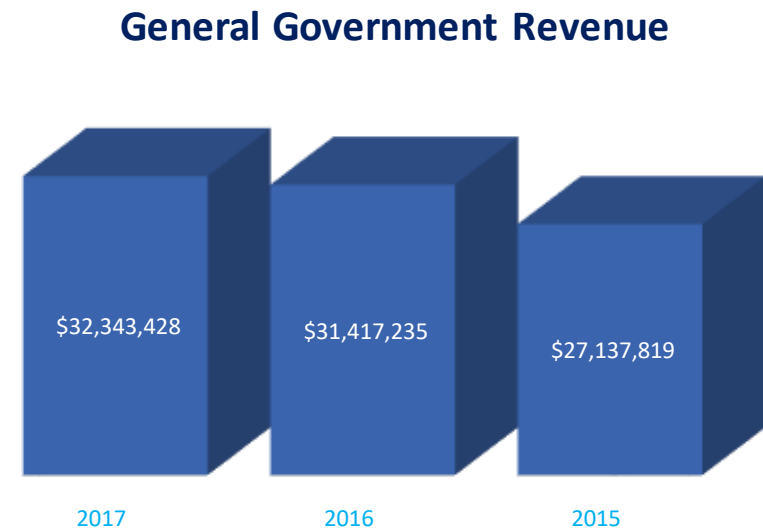
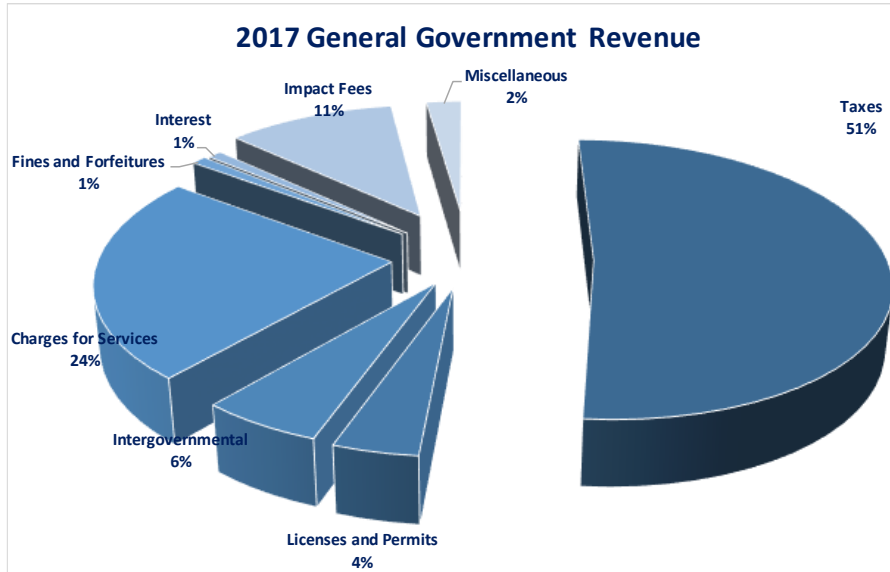
Miscellaneous Revenue—Consists of revenues received that are not otherwise categorized in another area.



2017

WHERE THE MONEY COMES FROM

General Government Revenue	2017	2016	2015	
Taxes	\$ 16,641,779	\$ 14,917,330	\$ 14,499,465	▲
Licenses and Permits	1,311,426	786,932	615,566	▲
Intergovernmental	1,871,476	3,779,854	1,828,419	▼
Charges for Services	7,691,921	8,917,975	8,240,744	▼
Fines and Forfeitures	301,237	384,286	505,283	▼
Interest	288,598	128,618	119,042	▲
Impact Fees	3,508,153	1,934,551	1,080,634	▲
Miscellaneous	728,838	567,689	248,666	▲
Total	\$ 32,343,428	\$ 31,417,235	\$ 27,137,819	



2017

Dollars Out—General Government Expenses

The City provides a full range of services, including police and fire protection, water and sanitation services, recreational activities and facilities, animal control services, and cultural events. The City is also responsible for the construction and maintenance of streets, buildings, parks, cemetery, and other amenities. In 2017, general government expenditures decreased by approximately \$2.7 million, or 8.5 percent, when compared with fiscal year 2016. This increase is mainly due to 900 West construction being substantially completed in fiscal year 2016.

Annually, the City Administrator and Finance Director submits a budget for the City Council's adoption. The proposed budget must not include expenditures that exceed estimated opening balances and anticipated income. The budget is driven by the City's Strategic Goals and Strategies, which consists of goals to foster a high quality of life to the City's residents, visitors, and business community.

The following provides a brief description of the City's general government expenses:

General Government—Includes expenditures incurred for administrative departments including General Administration, Finance, Executive, Legislative, Legal, and Information Technology.

Parks, Recreation, and Culture—Includes the City's Fitness Center, Parks, Recreation, Cemetery, Boat Harbor, and cultural events provided by the City.

Public Works—Includes expenditures related for Streets, Sanitation, Building and Grounds, Building Inspection, and Engineering.

Public Safety—Expenditures incurred for public safety departments including Police, Fire, and Animal Control.

Other—Includes the City's Library, Literacy Center, Planning, Senior Citizens, Citizen Committees, and non-departmental expenditures.

Redevelopment and Public Improvement—Distribution of Redevelopment Agency tax increment funds to entities based on signed agreements, along with construction projects financed with redevelopment area tax increment.

Capital Outlay and Projects—Expenditures related to the construction of capital projects within the City, such as roads, streets, parks, *etc.*

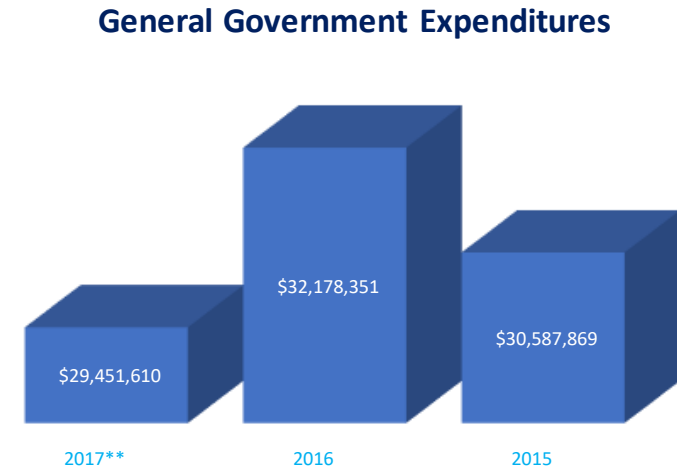
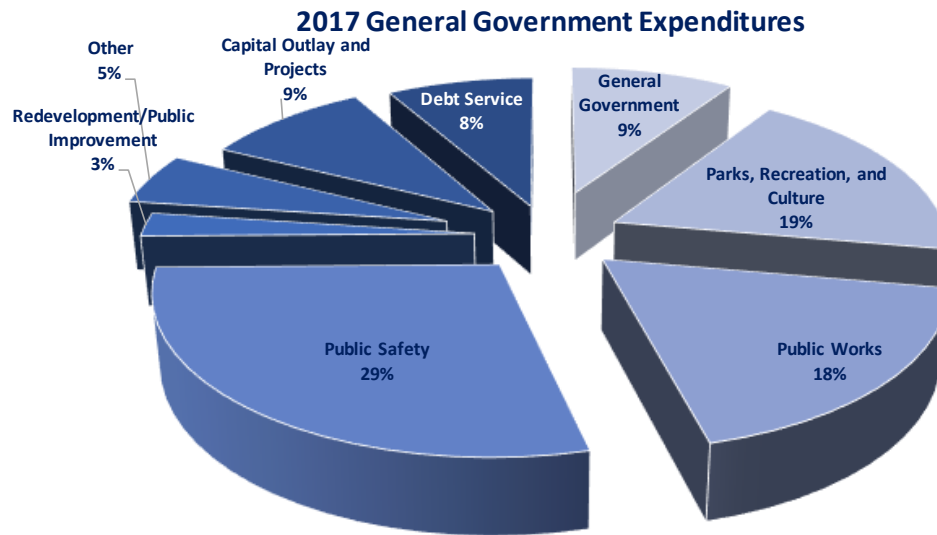
Debt Service—Payment on the City's long-term debt, which includes bonds and leases.

2017

WHERE THE MONEY GOES

General Government Expenditures	2017**	2016	2015	
General Government	\$ 2,741,637	\$ 3,577,553	\$ 3,299,609	↓
Parks, Recreation, and Culture	5,438,651	5,044,723	4,715,931	↑
Public Works	5,380,072	**	**	↑
Public Safety	8,451,433	7,627,068	7,294,729	↑
Redevelopment/Public Improvement	704,508	3,001,782	3,515,266	↓
Other	1,541,899	2,330,496	2,330,271	↓
Capital Outlay and Projects	2,761,639	8,047,570	5,079,214	↓
Debt Service	2,431,771	2,549,159	4,352,849	↓
Total	\$ 29,451,610	\$ 32,178,351	\$ 30,587,869	

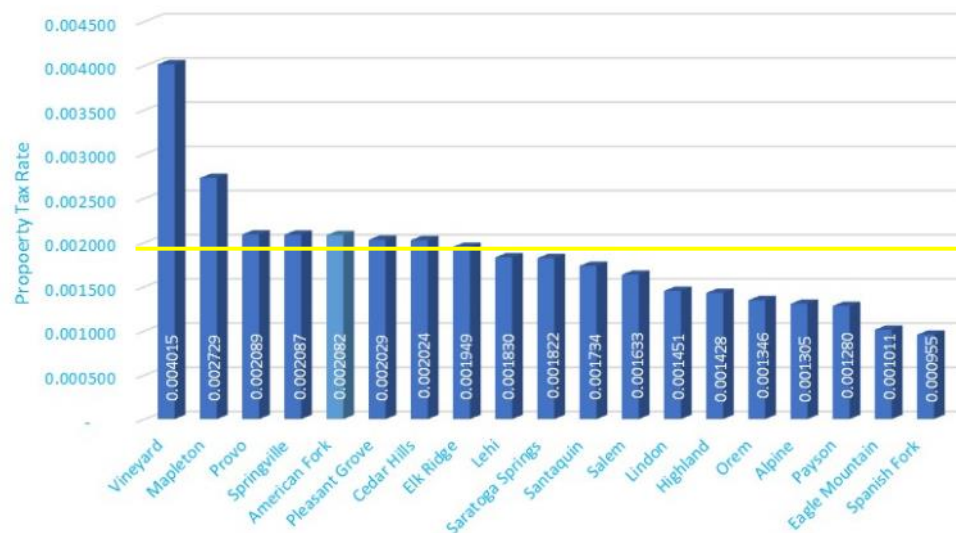
**In 2017 Functional Categories Were Changed.



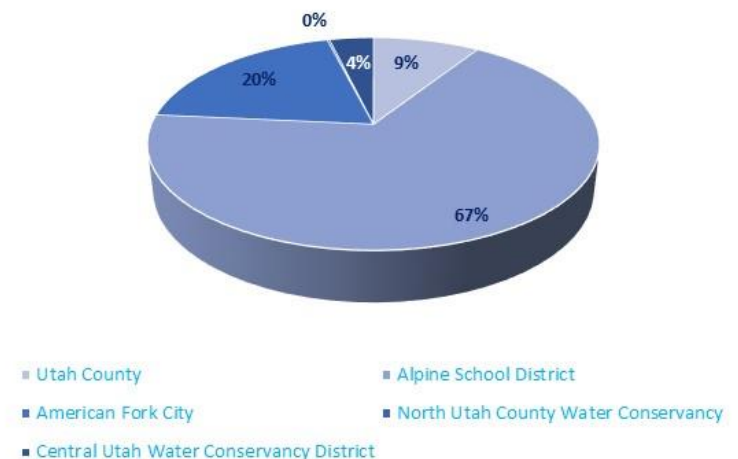
In Depth—Property Tax

City of American Fork property taxes are approved by the City Council. The property tax rate is used to calculate your overall property taxes. For primary residences, homeowners pay tax on 55 percent of the assessed value. Each year a “certified tax rate” is calculated by Utah County. This certified rate is the rate which will provide the same amount of property tax revenue to the City as the previous year excluding the revenue generated by new growth. If the City determines it needs greater revenues than the certified tax revenue will generate, the City will undergo a process called “Truth in Taxation,” which requires an entity to go through a series of steps which include proper notification of the tax increase and a public hearing. The City has not undergone “Truth in Taxation” since tax year 2006.

2017 City Property Tax Comparison



American Fork City only receives .20 of every \$1 paid in property tax



Did You Know?

Actual property tax paid by residents may vary by year depending on many factors. One factor is the assessed value of a property relative to other tax properties in the same district. Another factor is if individual taxing entities (such as Utah County, Alpine School District, *etc.*) have raised or lowered their rates.

PROPERTY TAX DOLLARS

2017

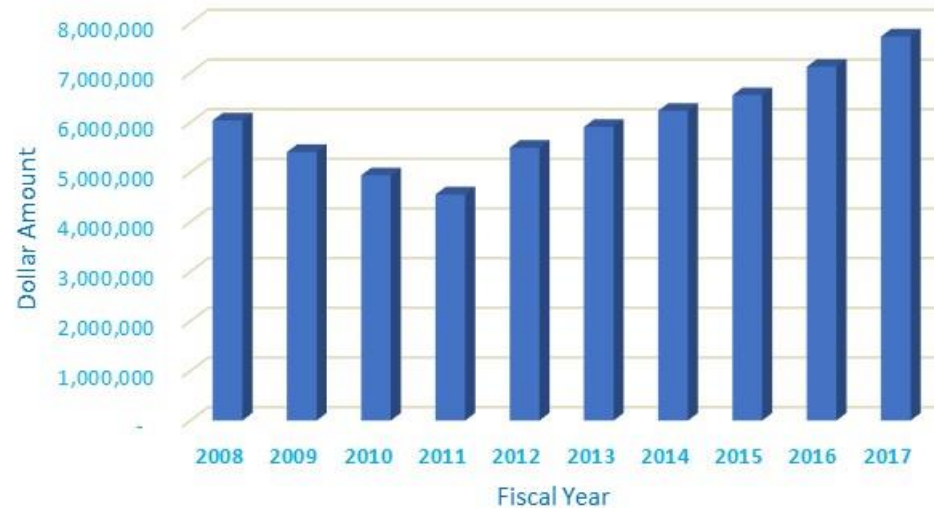
In Depth—Sales Tax

Sales tax is the largest source of revenue in the General Fund (33 percent). Of the total 6.85 percent collected by the State Tax Commission on sales within American Fork, one percent is allocated to local governments. The remaining 5.85 percent is distributed to the State of Utah (4.7 percent), mass transit (0.80 percent), Utah County (0.25 percent), and Parks, Arts, Recreation, and Culture (PARC) (0.1 percent).

Half of the one percent allocated to local governments is allocated based on population; the other half is based on point of sale purchases in the City. Because of this, the City only receives approximately 75 percent of the full one percent allocation.

The City has seen an increase in sales tax revenue over the past 10 years, going from \$6 million in 2008 to \$7.7 million in 2017. These increases have allowed the City to not raise property taxes since tax year 2006.

10 Year Historical Sales Tax



Did You Know?

Property tax revenue (the City's second largest source of revenue) does not have any built-in inflationary measures. Other sources of income or property tax increases must be used to cover normal inflation the City experiences.

Sales tax is an important revenue source for the City. One of the City's core services, public safety, is only covered 49 percent by property tax. It is important to support local American Fork businesses!

Income Statement

The City's Income Statement reflects the entire City's financial activity for the fiscal year ended June 30, 2017. As compared to 2016, total revenue increased 17.2 percent (8.1 million). The primary reason for this is contributed infrastructure and water rights. Total expenditures increased 14.8 percent (\$5.3 million) compared to 2016. The primary reason for this increase is decreased capital asset projects and purchases (capital assets are capitalized and are not shown as an expense).

This statement presents information on how the City's net position changed during the year as a result of the fiscal year's financial activity (i.e. revenues and expenses), and includes governmental and business type activities. Reported amounts may differ from amounts reported on pages 4-7 of this report due to the basis of accounting used (pages 4-7 use a form called modified accrual basis of accounting, this statement uses a basis of accounting called accrual basis of accounting).

Did you Know?

This statement is presented on a basis of accounting called accrual accounting. Accrual accounting matches expenses with the related revenues and/or are reported when the expense occurs, not when the cash is paid. This means "Net Position" reported on this statement does not correlate with funds available to meet the City's obligations.

Modified accrual accounting (presented on pages 4-7 of this report) recognizes revenues when they become available and measurable and, with a few exceptions, recognizes expenditures when they have occurred.

In contrast to accrual accounting, fund balance, with a few exceptions, is the amount available to meet the City's obligations.

Cash flow statements for the City's utility and broadband funds are presented in the City's Comprehensive Annual Financial Report, which is available on our website www.afcity.org/152/Finance/.

Income Statement - Primary Government	2017	2016	2015
Revenues			
Program Revenues			
Charges for Services	\$ 23,234,943	\$ 22,686,422	\$ 22,273,081
Operating Grants and Contributions	150,212	1,194,235	973,579
Capital Grants and Contributions	14,813,353	7,483,085	3,023,226
General Revenues			
Property Tax	5,631,704	5,752,741	5,833,877
Sales and Use Tax	8,667,242	7,966,842	6,548,967
Energy Sales and Use Tax	1,556,309	1,438,048	1,764,609
Other Taxes	779,594	577,903	570,172
Gain (Loss) on Disposition of Capital Assets	202,649	44,898	(18,270)
Unrestricted Investment Earnings	395,759	168,559	127,430
Total Revenues	55,431,765	47,312,733	41,096,671
Expenses			
Governmental Activities	29,714,205	23,955,773	22,172,602
Utility	11,267,151	11,731,500	11,475,488
Broadband	362,011	322,303	300,291
Mulligans			
Total Expenses	41,343,367	36,009,576	33,948,381
Change in Net Position	14,088,398	11,303,157	7,148,290
Net Position - Beginning	155,781,510	144,478,353	141,078,847
Adjustment for Fixed Assets	(39,249)	-	-
Adjustment for Compensated Absences	(318,470)	-	-
Adjustment for Net Pension Liability	-	-	(3,748,784)
Net Position - Ending	\$ 169,512,189	\$ 155,781,510	\$ 144,478,353

2017

Balance Sheet

The City's Balance Sheet reflects the City's financial condition as of June 30, 2017. The balance sheet is a summary of what the city owns (assets and deferred outflows) and owes (liabilities and deferred inflows), including governmental and business-type utilities (water and broadband).

Total net position is the difference between total assets (what we own), including deferred outflows, and total liabilities (what we owe), including deferred inflows. In 2017, total assets and deferred inflows exceeded total liabilities and deferred inflows, causing an overall increase to total net position.

Did you Know?

Unrestricted net position is the amount the City can use to meet its continuing obligations to citizens and creditors.

Restricted net position represents external constraints placed on the use of the resources. For example, grant funds and impact fees are restricted for certain purposes.

Invested in Capital Assets represents the amount the City has invested in capital assets, net of depreciation and related debt.

Balance Sheet - Primary Government	2017	2016	2015
Assets			
Current and other assets	\$ 38,759,657	\$ 36,372,380	\$ 34,444,462
Capital Assets	191,931,827	186,961,065	178,680,903
Total Assets	230,691,484	223,333,445	213,125,365
Deferred Outflows	5,695,065	5,384,350	1,354,369
Liabilities			
Current Liabilities	6,029,578	10,040,452	9,069,513
Long-Term Liabilities	54,498,423	56,971,488	56,841,619
Total Liabilities	60,528,001	67,011,940	65,911,132
Deferred Inflows	6,346,359	5,924,345	4,090,249
Net Position			
Invested in Capital Assets	145,996,260	136,467,940	125,950,883
Restricted	8,884,539	6,005,550	5,357,157
Unrestricted	14,631,390	13,308,020	13,170,313
Total Net Position	\$ 169,512,189	\$ 155,781,510	\$ 144,478,353

2017

The City's debt is comprised of predominantly five components:

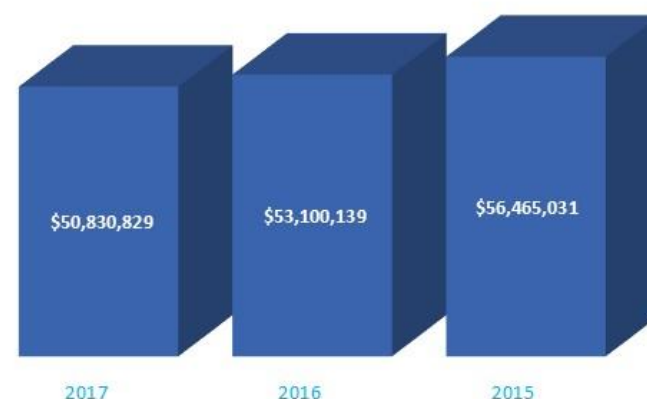
- ⇒ **General Obligation Bonds**—Debt backed by the credit and taxing power of the City.
- ⇒ **Revenue Bonds**—Debt secured by future income streams, such as sales tax, tax increment, or water revenue.
- ⇒ **Capital Leases**—Leases secured for the acquisition of machinery and equipment.
- ⇒ **Compensated Absences**—Accrued employee vacation and compensatory time. The amount accrued is the maximum amount the City would be liable for in the case of employee termination.
- ⇒ **Pension Liability**—Represents the difference between retirement benefits earned by the City's employees and the resources accumulated to repay those liabilities. The amount reported represents the City's portion of Utah Retirement System's pension liability.

During fiscal year 2017, the City issued a new capital lease in the amount of \$588,292 to purchase two new ambulances.

Outstanding Debt

Governmental	2017	2016	2015
General Obligation Bonds	\$ 3,645,000	\$ 5,280,000	\$ 6,868,000
Revenue Bonds	1,742,737	2,199,657	2,701,002
Capital Leases	629,023	203,894	429,018
Compensated Absences	781,005	394,420	429,764
Net Pension Liability	4,232,822	3,840,691	2,739,570
Total Governmental	\$ 11,030,587	\$ 11,918,662	\$ 13,167,354
Business-Type			
General Obligation Bonds	\$ 38,380,000	\$ 39,750,000	\$ 41,995,000
Revenue Bonds	672,000	705,000	737,000
Compensated Absences	118,819	95,025	94,178
Net Pension Liability	629,423	631,452	471,499
Total Business-Type	\$ 39,800,242	\$ 41,181,477	\$ 43,297,677
Total Outstanding Debt	\$ 50,830,829	\$ 53,100,139	\$ 56,465,031

What We Owe - Total Outstanding Debt



WHAT WE OWE

2017

The following terms are used in this report and are defined below:

BUSINESS-TYPE ACTIVITIES—The City’s activities that are funded primarily through user charges. Business-type activities include the utility funds and the broadband fund. These areas are designed to be self-supporting and do not use general tax revenue.

COMPENSATED ABSENCES—Under Generally Accepted Accounting Principles, the City is required to accrue employee’s earned time off for vacations and compensatory time.

DEFINED BENEFIT PLAN—A type of pension plan where a sponsoring agency promises a specified monthly benefit on retirement. The City makes defined benefit contributions to Utah Retirement Systems (www.urs.org).

FUND—A self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations or special restrictions and limitations.

GENERAL FUND—The chief operating fund of the City; accounts for all financial resources not accounted for and reported in another fund.

GENERAL OBLIGATION BONDS—A form of government debt that is backed by the full faith and credit of the government.

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA)—Organization whose mission is to promote the professional management of govern-

ments for the public benefit by identifying and developing financial policies and best practices and promoting their use through education, training, facilitation of member networking, and leadership.

GOVERNMENTAL ACTIVITIES—Functions of the City that are funded primarily through taxes and intergovernmental revenues. User charges do not fund a significant amount of the functions.

NET POSITION—The difference between the City’s assets and liabilities. It is the net worth of the City.

PRIMARY GOVERNMENT—All of the governmental and business-type activities belonging to the City, but excludes fiduciary funds.

UNASSIGNED FUND BALANCE—Generally Accepted Accounting Principles require fund balances to be segregated according to constraints or restrictions in place. Unassigned fund balance in the General Fund has the least amount of constraints.



OUR MISSION: EXCELLENCE IN PROVIDING MUNICIPAL SERVICES TO OUR RESIDENTS, VISITORS, AND BUSINESS COMMUNITY TO FOSTER A HIGH QUALITY OF LIFE.

OUR MOTTO: “DELIVERING EXCELLENCE”

WE VALUE:

INTEGRITY—THE POWER OF HONESTY

- ⇒ Integrity is the foundation of all we do. It is a constant. Those with whom we work, live, and serve can rely on us.
- ⇒ We align our actions with our words and deliver what we promise. We build and strengthen our reputation through trust.
- ⇒ We do not improperly influence others or let them improperly influence us. We are respectful and behave in an open and honest manner.
- ⇒ In short, the reputation of the organization reflects the ethical performance of the people who work here.

COMMITMENT—THE POWER OF RESPONSIBILITY

- ⇒ We embrace our responsibilities. Individually and collectively we make meaningful commitments—first to each other, and then to those with whom we work, live, and serve. We understand and focus on the needs of our customers.
- ⇒ We are citizens and responsible members of the community who are dedicated to safety, care for our environment, and manage our operations ethically.
- ⇒ We know it is both our duty and our honor to carry the City of American Fork heritage forward.

EXCELLENCE—THE POWER OF QUALITY

- ⇒ We set and achieve ambitious goals. The quality of our services reflects the power and heritage of the City of American Fork—the pride we take in what we do and what we make possible.
- ⇒ We are passionate about people, process, and service excellence.
- ⇒ We are determined to serve our customers through innovation, continuous improvement, an intense focus on customer needs, and a dedication to meet those needs with a sense of urgency.
- ⇒ For us, excellence is not only a value, it is a discipline and a means for making the City a better place.

TEAMWORK—THE POWER OF WORKING TOGETHER

- ⇒ We help each other succeed. We are a team, sharing our unique talents to help those with whom we work, live, and serve.
- ⇒ The diverse thinking and decision making of our people strengthens our team.
- ⇒ We respect and value people with different opinions, experiences, and backgrounds. We strive to understand the big picture, and then do our part.
- ⇒ We know that by working together, we can produce better results than any of us can achieve alone.

AMERICAN FORK
— 1853 —

2017

SERVICE VALUES

CITY OF AMERICAN FORK
51 E MAIN ST
AMERICAN FORK, UT 84003-2381
(801) 763-3000
[HTTP://WWW.AFCITY.ORG/](http://www.afcity.org/)